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SUBJECT: CPV PLENUM TAKES PLACE AMID TALK OF MID-TERM
CONGRESS

REF: HANOI 783

HANOI 00000877 001.2 OF 002

Classified By: DCM Jon Aloisi for Reasons 1.4 (B and D)

Summary

11. (C) From July 9-17, the Party's 181 Central Committee (CC) members convened in Hanoi amid a backdrop of high inflation and talk of a possible mid-term Party Congress. Mission sources report that CC members do not favor holding a mid-term Congress, although some leaders are using recent economic difficulties to try to damage the reputation of Prime Minister Nguyen Tan Dung. A major mitigating factor against a Congress -- and any out-of-cycle major personnel moves -- is that such changes would undo compromises Politburo factions have made concerning the division of control over business interests. The plenum's final resolution, which did not mention the Party guiding economic decision-making, prompted some local observers to conclude PM Dung and his Government are being left alone to solve recent inflationary problems. PM Dung, who no doubt is touting his successful visit to Washington internally, still appears very much in the driver's seat. End Summary.

Push Against the PM?

12. (C) The 181 members of the Communist Party of Vietnam's (CPV) Central Committee (CC) convened in Hanoi for meetings from July 9-17 amid a backdrop of high inflation and rumors that the Party might convene a mid-term Party Congress to consider personnel changes at the top. A variety of well-placed sources, however, tell us that the economic situation has not reached the point whereby CC members favor holding this Congress. They warned that worsening inflation, or an outright financial crisis brought on by policy missteps, would increase the chances such a meeting would take place. The 14-member Politburo would decide by consensus on whether to hold a mid-term Congress. If a majority -- eight members -- say a Congress is necessary, the proposal would be brought to the full 181-member CC for a vote. Politburo members would reach out to factional allies in the CC to build support in favor of holding the Congress. The last time the Party called such a meeting was in 1994.

13. (C) The Ministry of Culture and Information's Nguyen Van Hoa, CPV External Relations Commission's Nguyen Van Hung, retired Colonel Tran Nhung (former editor of the military's mouthpiece, "Quan Doi Nhan Dan") and InvestConsult General Director Tran Bat (close to Hanoi Party bosses) told us some Party officials are using recent economic troubles to try to reduce the influence of Prime Minister Nguyen Tan Dung. However, in the assessment of Hoa and Hung, it would be "very difficult" to unseat him. Party leaders have concluded that, given the increasing openness of Vietnam's economy, the Prime

Minister should have strong economic credentials, Hoa and Hung said. None of the 14 Politburo members has the experience PM Dung has in this area, they declared.

14. (C) Secondly, according to Hoa and Hung, despite what some people are doing to try to undermine the PM, the business interests of different Politburo factions are more or less in equilibrium. Each Politburo grouping is backed by leaders of large companies (State-owned and private), or "big brothers," they explained. For example, the Vinashin Shipping Company is a major backer of PM Dung and major State-owned construction companies have an ally in Party General Secretary Nong Duc Manh, they said. If the prime minister were replaced, the current consensus would be negatively impacted and "everyone" would be negatively impacted, they assessed.

15. (C) Colonel Nhung and InvestConsult's Bat stressed that, while economic difficulties create some vulnerability for PM Dung, the fact is no other senior leader has better solutions to the country's inflation problem. In fact, if leaders with less experience were calling the monetary and fiscal policy shots, the situation would likely worsen, as these officials do not have a solid understanding of how to use these policy tools, Nhung and Bat stated. Business elites were initially a bit frustrated with the PM for not listening to economic policy advice from "outsiders," but he seems more willing of late to listen to these experts, Bat said. Business elites are under no illusion that any other Party leader can successfully solve Vietnam's inflation problem, Bat added.

16. (C) Comments from knowledgeable contacts in HCMC reinforce the comments made by Hoa and Hung concerning PM Dung's "compromises" on SOEs. Tan Tao Corporation Chairman Tam, who is also a close confidant of President Nguyen Minh Triet,

HANOI 00000877 002.2 OF 002

told the CG that one of the distinct features of PM Dung's tenure is his degree of direct control over the country's 26 largest SOEs. Rather than turning direct management of the largest SOEs over to relevant ministries as his two predecessors had done, Tam explained, Dung has kept them under his direct purview. Rather than supervise them directly, however, he generally leaves the giant SOEs along to manage themselves "according to the interests of the state," which generally equates to the interests of various CPV groupings. Similarly, Le Thien Thanh, the son of former CPV General Secretary Le Duan, told Embassy and ConGen PolOffs that the mode of decision making has changed under Dung, with the "real decisions" now made between business magnates and top CPV officials in the officials' homes at night rather than in the office during work hours (reftel). With more than half of Vietnam's economy and an even larger share of all state investment flowing through these 26 primary SOEs, it is in the economic interest of all factions in the Politburo and CC to keep this lucrative patronage system in operation.

GS Manh's Sleep Inducing Speeches

17. (SBU) As for the CC meetings, the CC statement released on the plenum's final day urged the Party to strengthen its "leadership" of the youth and intellectuals so they can help Vietnam "accelerate industrialization and modernization." State-controlled newspapers ran articles on Nong Duc Manh's opening and closing plenum speeches as well as his making the rounds in Hanoi just after the plenum finished. On July 24, these news outlets featured stories of the General Secretary visiting the headquarters of the CPV's 5 million member-strong Ho Chi Minh Youth Union (HCMYU) to reinforce his "revolutionary" message that HCMYU leaders strive to create a new generation of young leaders "full of determined ideologies about national independence and socialism."

18. (C) According to Colonel Nhung, CC members discussed

nothing new at the plenum. The meetings actually had been scheduled well before jumps in inflation occurred in the May to July time-frame, he explained. Moreover, despite local news coverage of the event, the public seemed largely uninterested and Manh's opening and closing speeches drew many yawns among CC members, he relayed.

¶9. (C) The Ministry of Culture and Information's Hoa and CPV External Relations Commission's Hung noted to us that many local analysts found the plenum's final resolution (which in theory is supposed to guide policy and is read in front of the full CC on the plenum's last day) significant in that it included nothing about how the Government should confront recent inflationary pressures. They pointed out that, ordinarily, the CPV has a "leading role" in guiding policy, but the plenum statement failed to mention the Party's responsibility in economic policy. Many local commentators interpreted this to mean Party leaders are content to let the Government deal with recent economic difficulties on its own, Hoa and Hung offered.

Comment: Keeping the Sharks at Bay

¶10. (C) Touting a successful visit to Washington, PM Dung remains very much in the driver's seat. Current economic woes certainly create some vulnerability for him, but when elites here assess the capabilities of his "competition," particularly General Secretary Manh, the PM comes out looking like Vietnam's best bet. Whether he stays in this relatively strong position seems to depend on keeping factional interests content with their slice of the economic pie as well as making strides to fight inflation. Whatever political attempts are underway to hurt the PM do not seem, thus far, to be gaining much traction.

¶11. (U) This cable was coordinated with ConGen Ho Chi Minh City.
MICHALAK